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Economic Analysis of the Massachusetts Child Support Guidelines

November 15, 2005

Submitted to:

Administrative Office of the Trial Court
Commonwealth of Massachusetts
Planning and Development Department
Two Center Plaza
Boston, MA 02108

Submitted by:

Jane C. Venohr, Ph.D.
Policy Studies Inc.
1899 Wynkoop Street, Suite 300
Denver, Colorado 80202
303.863.0900

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Economic Analysis of the Massachusetts Child Support Guidelines

The Massachusetts Administrative Office of the Trial Court is overseeing the review of the Massachusetts child support guidelines in accordance with federal regulations that require states to review their child support guidelines at least once every four years [45 C.F.R. § 302.56]. The purpose of the review is to ensure that the guidelines result in the determination of appropriate child support award amounts. The federal requirement specifies that the review must include an assessment of the economic data on child-rearing costs.

This report summarizes the results from the assessment of the economic data on child-rearing costs. It consists of two sections and several subsections.

◆ ***Comparison of the Massachusetts Basic Order formula to recent estimates of child-rearing costs.***

The core of the formula for determining support award amounts in Massachusetts is called the “Basic Order formula.” Once this is calculated, additional adjustments may be made for other factors (e.g., the custodial parent’s income or the costs of the health insurance premium to provide coverage for the child). The percentages in the Basic Order formula are compared at two levels.

- (a) *The most recent national estimates of child-rearing expenditures.* First, the Basic Order formula is compared to estimates of child-rearing expenditures based on national data that have recently been used by states to assess their child support guidelines.
- (b) *Massachusetts-specific estimates of specific expenditure items.* There are no Massachusetts-specific estimates of child-rearing expenditures comparable to the national estimates in scope, sample size, and methodology, but there are estimates of specific expenditure items (e.g., housing) that can be used to gauge how well the national estimates of child-rearing expenditures likely reflect child-rearing expenditures in Massachusetts. These estimates are compared at the national, state and Massachusetts county level, wherever data are available.

◆ ***Assessment of other economic factors considered in the support award calculation.*** There are several other guidelines factors that are based or partially based on an economic factor or economic assumption. These factors include the following.

- ◆ Variations in child-rearing expenditures by child’s age
- ◆ Adjustments for number of children (equivalence scales)
- ◆ Adjustment for low-income obligors
- ◆ Custodial parent’s disregard
- ◆ Child care expenses
- ◆ Adjustments for custodial parent’s income above disregard
- ◆ Discretionary adjustment to Basic Order by plus or minus two percent
- ◆ Highest income covered by Basic Order formula
- ◆ Shared-physical custody
- ◆ Subsequent families



ESTIMATES OF CHILD-REARING COSTS

Most state guidelines based on economic evidence rely on estimates of child-rearing expenditures in intact families. This comports with the principle of many state guidelines, including the Massachusetts guidelines, which is that the child is entitled to the same standard of living the child would have enjoyed had the family been intact. Estimates of child-rearing expenditures in single-parent families are not used by any state as the basis of their guidelines. In part, the estimates of child-rearing expenditures in single-parent families reflect the fact that an inordinate percentage of single-parent families live in poverty. The premise of most state guidelines is that child support should provide more than a poverty-level of living; specifically, that the child should share in the standard of living that can be afforded by the parent(s).

National Estimates of Child-Rearing Expenditures

Exhibit 1 summarizes studies of child-rearing expenditures in intact families used by states as the basis of their guidelines schedules and those recently used as the basis of proposed updated schedules. (References to these studies are provided at the end of this report.)

Exhibit 1 Estimates of Child-Rearing Costs that Form the Basis of State Guidelines or Guidelines Recommended by State Guideline Review Committees					
Study	Purpose & Funding	Method	Lewin/ICF Assessment Whether Method Understates or Overstates Actual Child-Rearing Costs	Data Source	Use in State Guidelines
van der Gaag (1981)	Narrows the wide range of estimates of child-rearing costs to be used in public policy decisions by State of Wisconsin	Assesses range of estimates at available at the time	None	Various years	About 5 states
Espenshade (1984)	Parent education & policy formation, including child support guidelines Funded by U.S. Nat'l Inst. For Child Health & Development	Engel	Overstate	CEX 1972-73	About 8 states
Betson (1990)	Provide information to assist states with guidelines review	Engel	Overstate	CEX 1980-86	None
	Funded by U.S. Dept. of Health & Human Services at the request of Congress	Rothbarth	Understate		About 14 states
Betson (2001)	Update Betson (1990) estimates using more recent data	Engel	Overstate	CEX 1996-99	None
	Funded by University of Wisconsin Institute for Research on Poverty & child support projects in CA & MI	Rothbarth	Understate		About 8 states
Virginia (2002) ¹	Funded by Commonwealth of Virginia	Average use	Not Assessed	Multiple sources	Proposed but not

¹ Commonwealth of Virginia (2000) and Rodgers (2002).

Exhibit 1 Estimates of Child-Rearing Costs that Form the Basis of State Guidelines or Guidelines Recommended by State Guideline Review Committees					
Study	Purpose & Funding	Method	Lewin/ICF Assessment Whether Method Understates or Overstates Actual Child-Rearing Costs	Data Source	Use in State Guidelines
Florida (2004) ²	Funded by State of Florida	Engel	Overstate	CEX 1999-01	passed into legislation
USDA (2005) ³	Parent education & policy formation, including child support guidelines Funded by USDA	USDA	Overstate	CEX 1990-92	1 state beginning in 2007 with many adjustments to the estimates

Estimation Methodologies and Data (Exhibit 1)

An economic methodology is required to estimate child-rearing expenditures because many expenditure items (e.g., electricity for the home, a loaf of bread) are consumed by both the parents and children. An economic methodology is used to separate the children's portion. The most common methodology is a marginal cost approach, which compares expenditures between two equally well-off families: (a) a married couple with children; and, (b) a married couple of child-rearing age without children. The difference in expenditures between these two families is deemed to be child-rearing expenditures. The "Engel" and "Rothbarth" methodologies, named by the economists who developed them, are both forms of the marginal cost approach. They differ in how they define equally well-off households. The Engel methodology relies on food shares, while the Rothbarth methodology relies on expenditures for adult goods (specifically, adult clothes in the Rothbarth estimates that form the basis of state guidelines).

All estimates of child-rearing expenditures overstate or understate actual child-rearing expenditures.

As discussed in more detail below, there is no consensus among economists as to which methodology most accurately estimates actual child-rearing costs. Nonetheless, economists generally agree on whether a methodology overstates or understates actual child-rearing expenditures.

Lewin/ICF (1990) assessment. U.S. Department of Health and Human Services (DHHS) contracted with the Lewin/ICF group to independently evaluate the estimates of child-rearing expenditures available in 1990 with the specific purpose of providing states with information to use in their guidelines reviews. Lewin/ICF concluded that the Rothbarth estimator is the lower bound of the range of estimates of child-rearing expenditures and the Engel estimator is the upper bound of the range of estimates of child-rearing expenditures. Lewin/ICF recommends that anything between these two estimates is appropriate for state guidelines use.

Reliance on national data. All of the studies rely on national data. We know of no state that uses state-specific data as the basis of its guidelines schedule. Most economists use the Consumer Expenditure Survey

² McCaleb, et al. (2004).

³ Lino (2005).



(CEX), which is conducted by the Bureau of Labor Statistics (BLS), to estimate child-rearing expenditures.⁴ It is the most comprehensive and detailed survey conducted on expenditures. The CEX surveys over 7,000 households quarterly on expenditures, income and household characteristics (e.g., family size). Households remain in the survey for five consecutive quarters with households rotating in and out each quarter. Most economists use at least three quarters or a year of expenditure data for a surveyed family so that a family's expenditures over the course of a year or nearly a year is considered. The BLS designed the CEX to produce a nationally representative sample and samples representative of the four regions (Midwest, Northeast, South, and West). The CEX does not sufficiently sample individual states to produce state-specific estimates.

Specific Estimates (Exhibit 1)

van der Gaag (1981) estimates. Wisconsin used van der Gaag's estimates to develop its child support schedule. In turn, several states adopted Wisconsin's flat percentage of obligor gross income as their guidelines formula. van der Gaag concluded that a childless couple needs 25 percent of additional income if they have one child. (Wisconsin adjusted this percentage to account for taxes and other factors when developing its child support formula.)

Espenshade (1984) estimates. Most states relied on Dr. Espenshade's measurements when they first developed child support guidelines in the 1980s because his was the most authoritative study available at the time. It formed the basis of the prototype Income Shares Guidelines developed by the 1984-1987 National Child Support Guidelines Project.⁵ The developers of the original Massachusetts guidelines formula considered Dr. Espenshade's measurements as well as other economic factors in the development of the original Massachusetts Basic Order formula.⁶ Espenshade found that families spend about \$58,000 to \$138,000 (in 1981 dollars, hence over twice as much in 2005 dollars) to raise a child to age 18.

Betson (1990) estimates. Dr. Betson applied five different methodologies to estimate child-rearing expenditures using 1980-86 CEX data. He concluded that those estimated using the Rothbarth methodology were the most robust, and hence recommended their use. He rejected his estimates using the Engel methodology because they approached implausible levels. Further, states that had been considering both his Rothbarth and Engel estimates for updating their guidelines, recommended using the Rothbarth estimates mainly because they resulted in a more gradual increase in guidelines amounts than the Engel estimates once changes in price levels and tax rates over time were considered. Betson's application of the Rothbarth estimator finds that the percentages of total expenditures devoted to children, on average, are: 25 percent for one child; 37 percent for two children; and 44 percent for three children in an intact family. Betson's application of the Engel estimator finds that the percentages of total expenditures devoted to children, on average, are: 33 percent for one child; 39 percent for two children; and 49 percent for three children in an intact family.

Betson (2001) estimates. Dr. Betson updated his 1990 estimates based on the Rothbarth and Engel methodologies using more recent data (1996-99). Other than the data, the methodologies, assumptions and

⁴ Detailed information about the CEX can be found at the BLS website: <http://www.bls.gov>.

⁵ National Center for State Courts (1987).

⁶ Smith and Laramore (1986).

computer code were the same as his 1990 study. Most states that have recently updated their guidelines rely on the Betson-Rothbarth estimates because they are based on the most current data (1996-99). Betson's application of the Rothbarth estimator finds that the percentages of total expenditures devoted to children, on average, are: 25 percent for one child; 35 percent for two children; and 41 percent for three children in an intact family. Betson's application of the Engel estimator finds that the percentages of total expenditures devoted to children, on average, are: 32 percent for one child; 46 percent for two children; and 58 percent for three children in an intact family. As income increases, the percentage of total expenditures devoted to children decreases for the Rothbarth estimator but is fairly steady for the Engel estimator.

Virginia (2000) estimates using national data. Virginia assessed the appropriateness of using national data for Virginia and concluded that using national data was appropriate since developing Virginia-specific data would require an enormous amount of effort and would not vary much from national data. Virginia also developed its own methodology, called "average use" to estimate child-rearing expenditures. It closely resembles the USDA approach in that it uses a variety of methods to estimate the child's expenditures for specific items, then adds them to develop a total. It resulted in monthly estimates of child-rearing expenditures of: \$483 to \$558 per month for one child; \$793 to \$900 for two children; and \$930 to \$1,071 for three children. Virginia developed a child support schedule from this methodology, but it did not pass in legislation.

Florida (2004) estimates using national data. Florida State University developed estimates of child-rearing expenditures using the Engel methodology applied to 1999-2001 data. They found that the percentages of net income devoted to child-rearing expenditures were 22 percent for one child; 38 percent for two children; and 53 percent for three children. In turn, they developed a child support schedule from their estimates. The updated child support schedule was not adopted by the Florida legislature.

USDA (2004) estimates. The USDA estimates child-rearing expenditures individually for several expenditure categories (e.g., food, transportation, housing); then, adds them up for a total. For some expenditure categories, including housing, they use a per capita approach; that is, they divide the expenditures for that particular good by the number of family members. Most economists believe this approach overstates the child's actual share of expenditures. Minnesota will be the first state to base its guidelines on the USDA estimates. Minnesota downward adjusted the USDA estimates, including the housing proportion, to develop a child support schedule that was legislated in 2005 and becomes effective in 2007. The USDA updates its estimates every year for changes in the price level; however, the USDA is currently using CEX data from 1990-92. The USDA estimates expenditures for one child in a two-child family to be between \$7,450 to \$16,180 per year, depending on the age of the child and income of the parents.

State Use of Estimates of Child-Rearing Expenditures (Exhibit 1)

The economic source of some state guidelines cannot be pinned to a specific source or is unknown. Exhibit 1 only accounts for the economic source of about 33 state guidelines. In the remaining states, the source is either unknown or a blend of several factors (e.g., formulas from bordering states and the state's previous guidelines.)

Basis of Massachusetts Basic Order formula. The original Guidelines Committee considered several studies available at the time the Basic Order formula was developed in the late 1980s (i.e., Espenshade, 1984;



the prevailing USDA estimates at the time, the federal poverty guidelines).⁷ Yet, it is unclear how this information translated into the Basic Order formula. The Basic Order formula promulgated in 1989 is shown in Exhibit 2. In 2002, as a result of the last economic review, the Basic Order formula was amended. The highest percentage for one child was lowered from 27 to 25 percent to bring it more in line with the economic evidence on child-rearing expenditures. In addition, the percentages and income ranges were altered to create a more gradual increase in order amounts between income ranges. Exhibit 2 also contains the 2002 Basic Order formula, which is still in effect today.

Exhibit 2 Massachusetts Basic Order Formula							
Existing Basic Order Formula (in effect since 2002)				Prior Basic Order Formula (in effect 1989 – 2002)			
Gross Weekly Income	1 Child	2 Children	3+ Children	Gross Weekly Income	1 Child	2 Children	3+ Children
\$0 – 100	Discretion of court, but not less than \$80 per month.			\$0- 200	Discretion of court but not less than \$50.00 per month		
\$101 – 280	21%	24%	27%				
\$281 – 750 (% refers to all dollars over \$280)	\$59 + 23%	\$67 + 28%	\$76 + 31%	\$201- 500	25%	28%	31%
\$751- max. (% refers to all dollars over \$750)	\$167 + 25%	\$199 + 30%	\$222 + 33%	\$501 – max.	27%	30%	33%

Comparisons of National Estimates of Child-Rearing Expenditures to Massachusetts Basic Obligations

Exhibits 3, 4 and 5 compare some of the more recent national estimates of child-rearing expenditures to the Massachusetts Basic Order formula for one, two and three children, respectively. Specifically, they compare the Massachusetts Basic Order formula to:

- ◆ The Betson-Rothbarth (2001) estimates, which are known to understate actual child-rearing expenditures;
- ◆ The Betson-Engel (2001) estimates, which are known to overstate actual child-rearing expenditures; and
- ◆ The USDA (2005) estimates for the Northeast Region, which are known to overstate actual child-rearing expenditures.

These estimates were made comparable to the Massachusetts Basic Order formula by: excluding the child's medical expenses and health insurance premium from the estimates since they are considered in the worksheet and not in the Basic Order formula; updating them to current price levels (2005); and, converting the Betson estimates to gross income. The Betson estimates are converted from total expenditures to gross income using the IRS employer and Massachusetts Department of Revenue withholding income formulas for

⁷ Ryan (1987).

a single tax payer with no dependents.⁸ No conversion is necessary for the USDA estimates since they already relate to gross income.

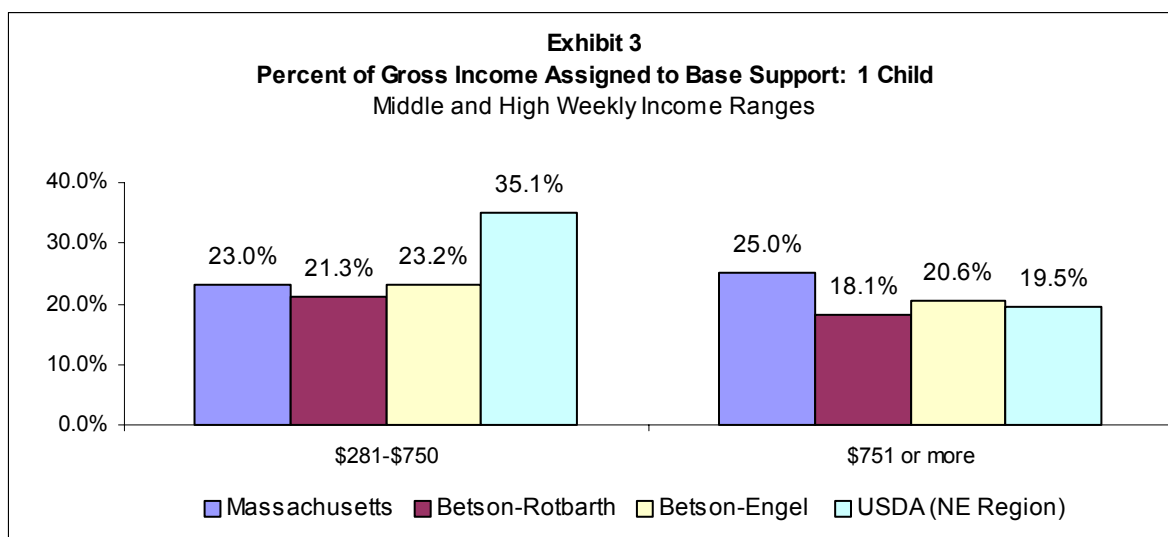
We do not include the van der Gaag (1981); Virginia (2002); and Florida (2004) estimates in the comparison because there was not sufficient information in these studies to make them comparable. For example, health care costs were not identified separately, so they could not be subtracted. Nonetheless, these estimates generally fall within the range of the other estimates included in the analysis.⁹

Graphical Comparisons of Massachusetts to the Nation for Middle and High Incomes

Exhibits 3, 4 and 5 consider the last two of the four gross income ranges of the Basic Order formula:

- ◆ \$281-\$750 per week; and
- ◆ \$751 per week or more.

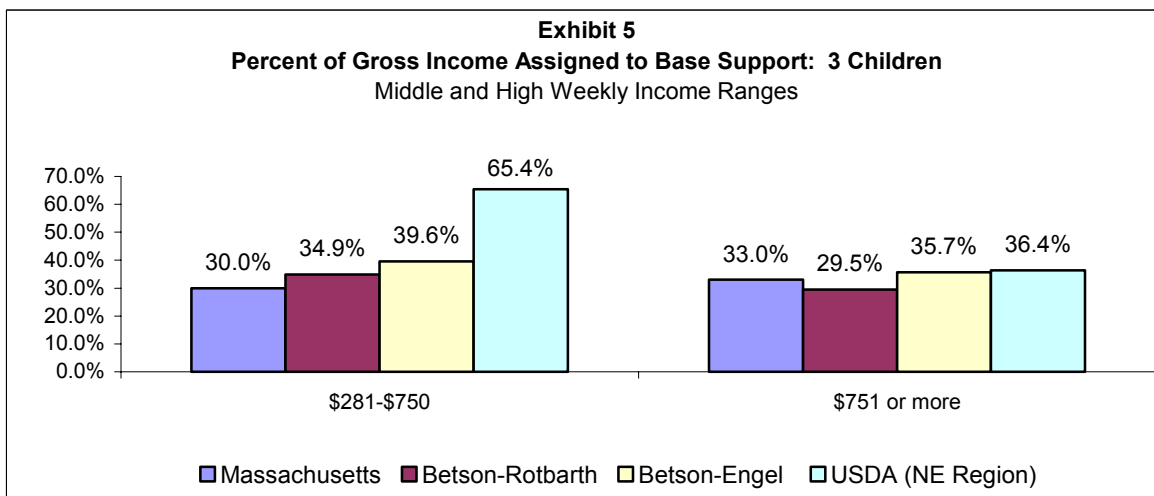
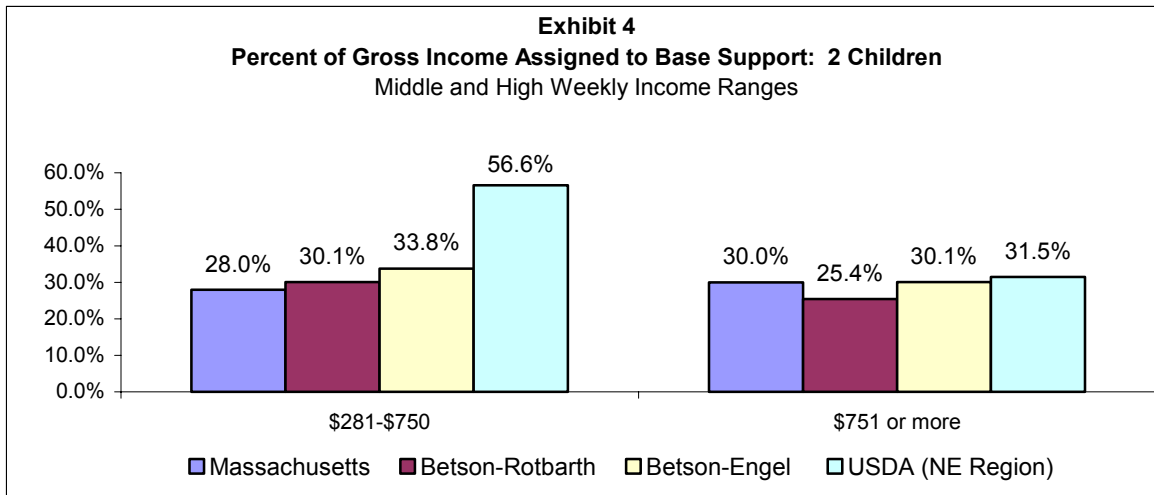
We discuss the lowest (the first two) income ranges in the next section as part of the adjustment for low-income obligors. We consider these ranges to be low income because they cover gross incomes near or below the federal poverty guidelines for one person, which is \$184 net per week in 2005.¹⁰ The maximum income considered in the first two income ranges is \$280 gross per week, which is equivalent to \$239 net. This is 130 percent of the federal poverty guidelines for one person.



⁸ See IRS (2005) and Massachusetts Department of Revenue (2005). Single-tax filing status is considered because the guidelines specified that the basic order is based on the “income of the noncustodial parent,” who we assume would file as a single tax filer.

⁹ For example, the percent of total expenditures devoted to raising one child ranges from 24 to 30 percent for the studies included in Exhibit 3. Van der Gaag (1981) concludes that a married couple would need 25 percent more income to raise one child. The Florida (2004) study found the comparable percentage to be 22 percent. The Virginia (2002) study did not estimate child-rearing expenditures as a percent of total expenditures.

¹⁰ *Federal Register* (2005).



The findings from Exhibits 3, 4 and 5 suggest the following.

- ◆ *One Child: Mid-Income Range (\$281-\$750 per week).* Massachusetts is within range of the national estimates of child-rearing expenditures. Massachusetts assigns 23 percent of gross income to support. The national evidence suggests that any percentage between 21.3 and 35.1 percent is appropriate for this income range.
- ◆ *One Child: High-Income Range (\$751 per week or more).* Massachusetts is too high relative to the national estimates of child-rearing expenditures. Massachusetts assigns 25 percent of gross income to support. The national evidence suggests that any percentage between 18.1 and 20.6 percent is appropriate for this income range.
- ◆ *Two and Three Children: Mid-Income Range (\$281-\$750 per week).* Massachusetts is too low relative to the national estimates of child-rearing expenditures. Nonetheless, these percentages are intended to phase in between the low and the high-income range. To that end, they are appropriate. Massachusetts assigns 28 and 31 percent of gross income to support, respectively, for two and three children. The national evidence suggests that any percentage between 30.1 and 56.6 percent is appropriate for two children and any percentage between 34.9 and 65.4 percent is appropriate for three children in this income range.

- ◆ *Two and Three Children: High-Income Range (\$751 per week or more).* Massachusetts is within range of the national estimates of child-rearing expenditures. Massachusetts assigns 30 and 33 percent of gross income to support, respectively, for two and three children. The national evidence suggests that any percentage between 25.4 and 31.5 percent is appropriate for two children and any percentage between 29.5 and 36.4 percent is appropriate for three children in this income range.

From Exhibits 3, 4 and 5, it can be observed that the percentage of income devoted to child-rearing expenditures among the national estimates decreases between the \$281-\$750 and \$751-\$1,923 per week income ranges. In other words, the national evidence suggests that the percent of gross income devoted to child-rearing expenditures decreases as income increases; albeit, the absolute dollar amount increases as income increases. The declining percentages result from two factors: progressive personal income tax rates that allow a smaller percentage of gross income to be retained as disposable income when gross income increases; and, most of the estimates of child-rearing expenditures indicate that as the family's total expenditures increase, a smaller proportion is devoted to child rearing. At a practical level, this makes sense because a family with \$10,000 in annual income may devote 25 percent of their income to one child (\$2,500 per year), but it seems incomprehensible that a family with \$10 million in annual income would also devote 25 percent of their income to one child (\$2.5 million per year).

Massachusetts-Specific Estimates of Selected Expenditures Items and Income

The purpose of this section is to gauge how well the national evidence of child-rearing expenditures is likely to reflect the economics of Massachusetts.

Massachusetts Housing Costs

On average, as shown in Exhibit 6, the major expenditure category for families is housing. Given this fact, we compare housing costs in Massachusetts to national costs, on average. Data on Massachusetts housing costs consider the statewide average and averages for each Massachusetts county. Using 2000 Census data, Exhibit 7 illustrates that average housing costs are higher in Massachusetts than the nation. For example, median gross rent (i.e., rent plus utilities) is about 14 percent more in Massachusetts than nationally. (Median gross rent per month is \$684 in Massachusetts and \$602 nationally.) The percentage difference in housing costs is even wider among home owners with mortgages. Median housing costs (e.g., mortgage costs, utilities, real estate taxes) among owners with mortgages are 24 percent more in Massachusetts than the nation. Median housing costs among owners with mortgages are \$1,353 and \$1,088 per month, respectively, for Massachusetts and the nation.

Exhibit 6 Composition of Expenditures for Average Family (1996-99) <small>Source: Betson (2001)</small> <small>Exhibit 5-3</small>	
Housing	41%
Food	21%
Transportation	14%
Entertainment	7%
Apparel	6%
Medical	5%
Other	7%

However, considerable variation in housing costs exists within the Commonwealth. For example, median gross rent per month ranges from a low of \$499 in Berkshire and Bristol Counties to a high of \$1,016 in Nantucket County.



Exhibit 7 Housing Costs and Home Values¹¹ Source: 2000 U.S. Decennial Census					
	Median Gross Rent (Monthly)	Median Gross Rent as % of Household Income 1999	Median Selected Monthly Owner Costs for Housing Units with a Mortgage	Median Selected Monthly Owner Costs as a % of Household Income 1999 for Units with a Mortgage	Median Value of Owner-Occupied Housing Units
United States	\$ 602	25.5%	\$1,088	21.7%	\$119,600
Massachusetts	\$ 684	25.5%	\$1,353	21.9%	\$185,700
Barnstable	\$ 723	27.7%	\$1,135	23.1%	\$178,800
Berkshire	\$ 499	25.3%	\$ 971	21.2%	\$116,800
Bristol	\$ 499	23.8%	\$1,212	21.6%	\$151,500
Dukes	\$ 741	24.8%	\$1,251	25.9%	\$304,000
Essex	\$ 665	25.7%	\$1,455	22.3%	\$220,000
Franklin	\$ 541	26.1%	\$ 978	21.7%	\$119,000
Hampden	\$ 535	26.3%	\$1,087	21.6%	\$117,400
Hampshire	\$ 631	26.3%	\$1,153	21.4%	\$142,400
Middlesex	\$ 835	24.8%	\$1,600	21.7%	\$247,900
Nantucket	\$1,016	29.5%	\$1,771	26.3%	\$577,500
Norfolk	\$ 853	25.1%	\$1,558	21.7%	\$230,400
Plymouth	\$ 679	25.8%	\$1,343	22.5%	\$179,200
Suffolk	\$ 791	27.3%	\$1,364	22.9%	\$187,300
Worcester	\$ 580	24.0%	\$1,220	21.2%	\$146,000

Another indicator of the variance in housing prices in Massachusetts is “fair market rents” developed by the U.S. Department of Housing and Urban Development. Shown in Exhibit 8, HUD sets FMRs for several thousand local areas around the country based on market rents for modest housing of different bedroom sizes. Generally, the FMR is the amount that would be sufficient to cover rental charges for 40 percent of the housing units in an area. FMRs are used to set maximum rent levels in the “Section 8” housing voucher program and other housing assistance programs.

Exhibit 8 Fair Market Rents (FMR) 2005 Monthly Amounts Source: U.S. Department of Housing and Urban Development							
Metro Areas	Number of Bedrooms			Non-Metro Counties	Number of Bedrooms		
	1	2	3		1	2	3
Boston	\$1077	\$1266	\$1513	Barnstable	\$691	\$909	\$1097
Brockton	\$862	\$1086	\$1297	Berkshire	\$529	\$610	\$835
Fitchburg-Leominster	\$625	\$784	\$960	Dukes	\$903	\$1075	\$1285
Lawrence	\$834	\$1009	\$1205	Franklin	\$527	\$653	\$871
Lowell	\$856	\$1102	\$1316	Hampden	\$555	\$702	\$839
New Bedford	\$589	\$677	\$810	Hampshire	\$650	\$829	\$1065
Pittsfield	\$517	\$654	\$828	Nantucket	\$1151	\$1278	\$1529
Providence-Fall River	\$732	\$845	\$1013	Worcester	\$531	\$595	\$710
Springfield	\$609	\$772	\$923				
Worcester	\$701	\$840	\$1004				

¹¹ Appendix A contains definitions of these housing costs indicators.

Massachusetts Income

Geographical areas with higher costs of living, specifically housing costs, typically pay higher wages. This observation is the basis for the examination of income. Exhibit 9 displays the average annual wages in 2002 for the U.S., the state as a whole and three Metropolitan Statistical Areas (MSAs) for all workers (full-time and part-time) covered by state unemployment insurance (UI) programs and for federal civilian workers covered by the Unemployment Compensation for Federal Employees (UCFE) program. It shows that wages, on average, are higher in Massachusetts (\$44,954 per year) than in the nation (\$36,764 per year), but vary among regions within Massachusetts.

Exhibit 9 Average Annual Wages for All Covered Workers (2002) Source: Bureau of Labor Statistics	
United States	\$36,764
Massachusetts	\$44,954
Boston-Brockton-Nashua	\$45,766
Barnstable-Yarmouth	\$31,025
Springfield	\$32,801

According to the 2004 American Community Survey conducted by the Census Bureau, Massachusetts median family income (\$68,701 in 2004 dollars) ranked fourth highest in the nation, and is about 28 percent higher than the national average (\$53,692 in 2004 dollars).¹² Exhibit 10 displays the median family income in 1999 for the United States, Massachusetts and all counties within the state. There is a notable difference between the lowest (Suffolk County, \$44,361) and highest (Norfolk County, \$77,847) median family income by county.

Exhibit 10 Median Family Income 1999 (annual income) Source: 2000 Census					
United States	\$	50,046	Barnstable County	\$	54,728
Massachusetts	\$	61,664	Berkshire County	\$	50,162
			Bristol County	\$	53,733
			Dukes County	\$	55,018
			Essex County	\$	63,746
			Franklin County	\$	50,915
			Hampden County	\$	49,257
			Hampshire County	\$	57,480
			Middlesex County	\$	74,194
			Nantucket County	\$	66,786
			Norfolk County	\$	77,847
			Plymouth County	\$	65,554
			Suffolk County	\$	44,361
			Worcester County	\$	58,394

Other Expenditure Items

We do not know of any current and available data that compare the costs of food and transportation, the second and third largest expenditure items consumed by families, between Massachusetts and the national average. Nonetheless, through other research, we have found little variation in food and transportation costs. We believe, in part, this is because food and transportation items are produced and distributed by a limited number of firms that typically produce and distribute them across the nation.

However, we were able to locate some data on child care expenses and health insurance premium costs. The caveat is that child care expenses are included in the custodial parent's disregard and the health insurance

¹² The American Community Survey is a new Census survey aimed at providing information between the decennial censuses.

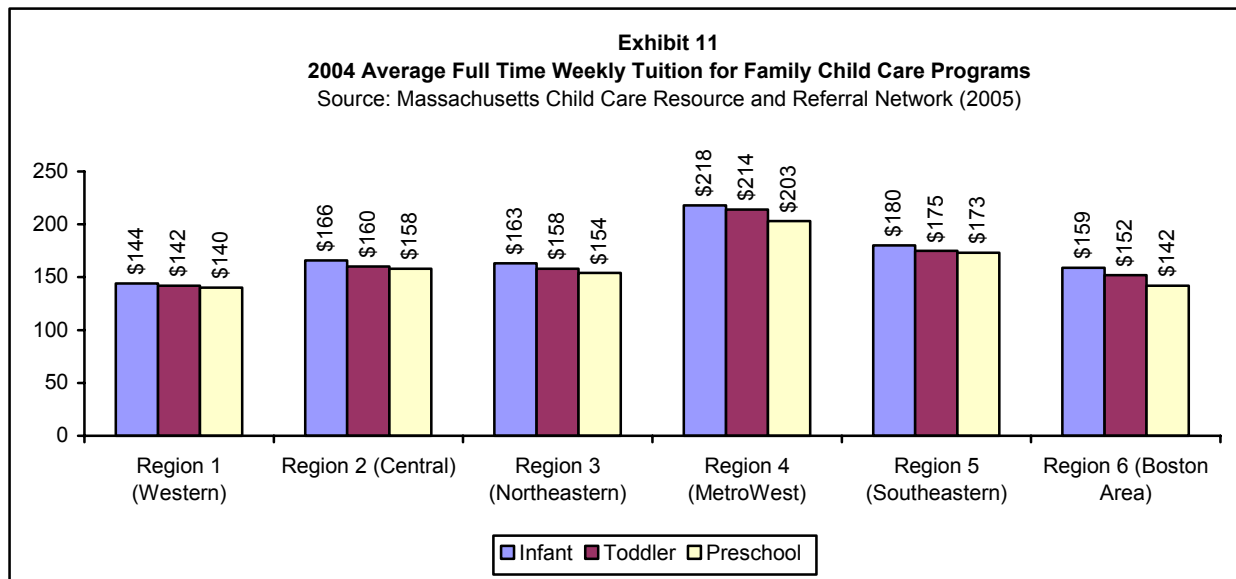


premium is added on to the Basic Order in the Massachusetts guidelines calculation. As a consequence, this information does little to inform whether the national evidence of child-rearing expenditures is appropriate for Massachusetts for the Basic Order formula.

Child Care Expenses

Work-related child care expenses are disregarded as part of custodial parent's income in the Massachusetts Guidelines calculation. Based on 1997 data (from the most recent study available), over half (51%) of working Massachusetts families pay for child care; which is comparable to the national average, 48 percent.¹³ Also based on 1997 data, on average, the monthly expense for child care was higher in Massachusetts (\$370) than the national average (\$286), but when taken as a percentage of earnings, there was little difference between Massachusetts and the U.S. average (9% and 10%, respectively).¹⁴

Exhibit 11 shows the 2004 average weekly tuition for infants, toddlers and preschool age children in family child care programs throughout Massachusetts. A 1998 report by Massachusetts Kids Count found that average child care costs as a percent of income varied significantly from neighborhood to neighborhood in Boston. For example, the cost of preschool for one child as a percentage of income was seven percent in Back Bay/Beacon Hill, 19 percent in Dorchester and 29 percent in Roxbury.¹⁵



¹³ Giannarelli and Barsimantov (2000).

¹⁴ Ibid.

¹⁵ Massachusetts Kids Count (1998).

Health Insurance Premiums

As shown in Exhibit 12, the cost of employment-based health insurance premiums in Massachusetts is similar to the United States as a whole.

Exhibit 12 Average Monthly Employee Contribution to Employment-Based Health Insurance (2003) <small>Source: Henry J. Kaiser Family Foundation (2003)</small>			
	Single Coverage	Family Coverage	Employee Plus One Coverage
United States	\$51	\$190	\$131
Massachusetts	\$59	\$199	\$130

Summary and Recommendations

National Evidence on Child-Rearing Expenditures

Summary. With a few exceptions, the Massachusetts Basic Order formula is between the lower and upper bound of the range of national estimates of child-rearing expenditures. The exceptions are: (a) the percentage for one child for the highest income range (\$751 per week and above) that exceeds the upper bound of the range of national estimates of child-rearing expenditures; and (b) the percentages for two and three children for the \$281-\$750 gross weekly income range that are too low relative to the lower bound of the range of the national estimates of child-rearing expenditures.

Recommendations

- Lower the percentage for one child for the \$751 and above gross weekly income range.
- Regarding the percentages for two and three children in the \$281-\$750 gross income range, if the objective is to have a gradual phase-in between the lower income ranges and the higher income ranges, we recommend no change. Nonetheless, we recommend revisiting these percentages if there are any changes to the lower income ranges or other parts of the Basic Order formula.
- Reconsider the structure of the Basic Order formula so it is either a flat percentage or a decreasing percentage for higher incomes. The latter would be more consistent with the economic evidence of child-rearing expenditures that indicate that a decreasing percentage of gross income is devoted to child-rearing expenditures as income increases (albeit, the absolute dollar amount increases). In part, this decreasing trend reflects the fact that tax rates increase with more gross income, hence leaving earners with a smaller proportion of income available for child-rearing expenditures.

Massachusetts Evidence on Costs and Income

Summary. Housing, which is the largest expenditure item consumed by families, is higher in Massachusetts than the nation, on average; yet, it varies considerably among Massachusetts counties. This trend is also true of incomes and child care expenses, but not health insurance premium costs.

Recommendation. At first blush, it seems logical to recommend that Massachusetts use the higher end of the range of national estimates of child-rearing expenditures, but given the significant variation among Massachusetts regions, we recommend no adjustment. Further, it appears that higher wages and income in regions with higher housing costs, in part, compensate for the regions with higher housing costs. Given this, no additional adjustment is necessary.



OTHER ECONOMIC FACTORS

Child-Rearing Costs by Child's Age

Current Treatment in Guidelines. The Massachusetts guidelines provide for a 10 percent increase in the Basic Order when the oldest child is aged 13 to 18. (For children over age 18, the age adjustment is at the discretion of the courts.)

Prior Treatment and Rationale for Change. Prior to 2002, when the guidelines were last amended, the guidelines provided for a 10 percent increase when the oldest child was 7 to 12 years old and a 15 percent increase when the oldest child was more than 13 years old. The amendment was made based on the findings and recommendation of the 2001/2002 guidelines review.¹⁶

Current Economic Evidence. The economic evidence on whether child-rearing costs vary with the child's age is mixed. Dr. Betson (2001) does not find any statistical difference when he applied the Rothbarth methodology. Dr. Betson (2001), however, found limited statistical differences when he applied the Engel methodology. He found that younger children (0-5 years) cost more than mid-age children (6-11 years). The difference between mid-age children (6-11 years) and older children (12-17 years) based on the Engel estimator was eight percent, but not statistically significant. For two-child families, the USDA study indicates that children ages 12-17 in the Northeast for middle incomes cost 9 percent more than children 11 years old or less.¹⁷ A caveat to these comparisons, however, is they are not adjusted for child care expenses, which are likely to be higher when the children are young.

Recommendation. No change or eliminate the age adjustment.

Adjustments for Number of Children (Equivalence Scales)

Current Treatment in Guidelines. The Massachusetts guidelines provide a Basic Order formula for one, two and three children. For orders covering more than three children, the Massachusetts guidelines provide that the order be no less than the three-child amount.

History of Massachusetts Adjustments. The drafters of the original Massachusetts guidelines purposely limited the Basic Order formula to three children because they believed expanding the scale of percentages to accommodate larger families would be at the expense of smaller families.¹⁸ Further, they recognized that most families coming to the court had one or two children. As an aside, they also acknowledged that they received public comments that the Basic Order formula seemed appropriate for medium sized families but that the amounts of the orders for one child were excessive.¹⁹

¹⁶ See Baum (2001), Recommendation #2 called for either the elimination of the age adjustment or a reduction in the percentage for school age children.

¹⁷ Calculated from Table 3 (Lino 2005).

¹⁸ Ryan (1987).

¹⁹ Ibid.

Economic Evidence. Most economists using the CEX to estimate child-rearing expenditures limit their estimates to one- to three-child families because there is not a sufficient number of families with more than three children from which statistically reliable estimates could be developed. Most states that have recently updated their child support formulas rely on “equivalence scales” developed by the National Research Council to adjust for families with more than three children.²⁰ An equivalence scale allows indicators of living standards to be adjusted for family size. They are used for a variety of purposes. For example, the United Nations uses them to adjust their indexes of well-being to compare incomes across nations adjusting for family size. The National Research Council extensively examined the prior literature and economic data in developing its recommended equivalence scale in 1995. Since then, nothing of similar authority or caliber has been recommended to replace it. Application of the National Research Council equivalence scale suggests that: four children cost 1.115 times the three-child amount; five children cost 1.100 times the four-child amount; and six children cost 1.088 times the five child amount.

Demographic Evidence. According to national data, most child support orders (88%) cover one to two children.²¹

Experiences of Other States. The majority of state guidelines provide for five to six children.

Recommendation. We recommend either no change or that Massachusetts provide that four-child amounts shall be 111.5 percent more than the three-child Basic Support formula; five-child amounts shall be 123 percent more than the three-child Basic Support formula; six-child amounts shall be 133 percent more than the three-child Basic Support formula; and support awards for more than six children shall not be less than the six-child formula. These percentages are from the National Research Council equivalence scales discussed above.

Adjustment for Low-Income Obligor

Background. The 1984-87 National Child Support Guidelines Panel, which was convened to help states meet the 1987 and 1989 federal requirements that states must have statewide guidelines, found that it was “neither realistic nor appropriate that a parent can or should pay substantial amounts of child support until providing for his or her own basic needs.”²² As a result, they recommend the guideline formula be adjusted at low incomes to allow for the subsistence needs of the parent. Most recently, the issues of low-income obligors—specifically, whether their order amounts are set at a level that they can reasonably pay—has become a major policy issue among child support enforcement professionals. Much has been written on this topic.²³

The Treatment of Low-Income Obligor in the Massachusetts Guidelines. The current Massachusetts guidelines provide a sliding scale that increases as obligor income increases. In effect, this provides an

²⁰ Citro and Michael (1995).

²¹ U.S. Census (2003).

²² National Center for State Courts (1987), page I-16.

²³ For example, see National Women’s Law Center and Center on Fathers, Families, and Public Policy (2002) and Legler (2003).



adjustment for low-income obligors. In addition, the Massachusetts guidelines provide a minimum Basic Order amount of \$80 per month for obligor gross weekly incomes of \$100 or less. The previous Massachusetts guidelines (i.e., the guidelines in effect from 1989 to 2002) also provided a sliding scale and a minimum order of \$50 per month for gross weekly incomes of \$200 or less.

Other State's Treatment of Low-Income Obligor. The majority of state guidelines (39 states) provide an adjustment for low-income obligors. Most provide a “self support reserve” to ensure that the obligor’s income after payment of child support and taxes is not less than a subsistence level of living. Most states tie that self support reserve to the federal poverty guidelines in effect when the guidelines were passed. The self support reserve ranges from about \$450 to about \$1,100 per month, with most states’ self support reserve in the \$600 to \$700 range. Some states incorporate the self support reserve into the schedule or provide for it on the worksheet as shown in Exhibit 13.

Exhibit 13		
Example of Self Support Reserve Test in Worksheet		
	Mother	Father
1. Monthly Adjusted Gross Income	\$ 500	\$1,000
2. Basic Support Order		\$ 250
ABILITY TO PAY CALCULATION		
3. Self Support Reserve		\$ 798
4. Income Available for Support		\$ 202
5. Lesser of Line 2 or Line 4		\$ 202

Minimum Order Amounts. The existing Massachusetts Guidelines provide a minimum order amount of not less than \$80 per month. The mode in most states is \$50 per month, although some states set it higher and some states set it lower.

Recommendation. The minimum order amount is a policy decision, as well as the adjustment for low-income obligors. With that said, if Massachusetts chooses an alternative adjustment for low-income obligors, we recommend that it relate to the federal poverty guidelines for one person. In 2005, the federal poverty guidelines for one person is \$798 per month, net. This is equivalent to \$1,105 per month gross for a single taxpayer. Full-time employment at Massachusetts minimum wage (\$6.75 per hour) would result in \$1,169 gross per month or \$838 net per month. Further, we also recommend the adjustment in the worksheet over its being in the formula or schedule. This would avoid the need for a sliding scale formula in Massachusetts.

Custodial Parent's Disregard

Treatment in Massachusetts Guidelines. The Massachusetts guidelines are calculated using the noncustodial parent's gross income. However, if the custodial parent earns more than \$20,000 per year after the payment of child care expenses, the child support order is to be adjusted by the custodial parent's income in excess of \$20,000 per year as a percentage of combined parental income (less the \$20,000 disregard). When the Massachusetts guidelines were developed, the architects concluded that the amount of child support should not decrease with increases in custodial parent income at low-incomes because these families

hover at the brink of poverty. The custodial parent income disregard was originally set at \$15,000 per year and was seen as an incentive for custodial parents to maximize their income and improve the standard of living of the children.²⁴ In 2002, the disregard amount was increased to \$20,000 per year net of child care expenses.

Treatment in Other States. In 2005, 12 state guidelines do not consider the custodial parent's income in the calculation of support. That number will most likely dwindle to 10 states in 2007 because Georgia and Minnesota (which currently base their guidelines formula on a percentage of obligor income) adopted new guidelines models (i.e., the Income Shares model). They will be effective in Georgia and Minnesota in 2006 and 2007, respectively. In addition, the District of Columbia is the only other state to use the Massachusetts guidelines model, but its guidelines review committee recommended an abandonment of the approach. The guidelines model recommended by the District of Columbia guidelines review committee will be voted on Fall 2005 by the District of Columbia City Council (which is equivalent to a state legislature). The District of Columbia guideline review committee recommended to eliminate the custodial parent disregard because it was inconsistent with its presumption of shared custody. The current District of Columbia Guideline disregards the first \$16,500 of the custodial parent's gross income net of child care costs in the child support calculation and another \$2,000 for each additional child. It has not been updated since 1989.

Economic Evidence. There are several indexes that could be used to update the custodial parent disregard. They are shown in Exhibit 14. They include the federal poverty guidelines; the basic family budget calculator, which was developed by the Economic Policy Institute in response to the belief of many researchers that the federal poverty guidelines are too low to support working families; and the self-sufficiency standard, which was developed to determine what wage is needed for a family of a given composition in a specific region to adequately meet their basic needs *without public or private assistance* given prevailing tax rates.

Recommendations. We recommend no change other than the elimination of the child care disregard, which is discussed below, for this review. Yet, we recommend that the utility of the disregard be studied in depth during the next review.

Exhibit 14						
Alternative Basic Needs Standards						
Index	Source	Year of Publication	Geographic Region Covered and Year	Amount for an Individual	Amount for Families	Amount for Each Additional Child
Existing MA CP Disregard					\$20,000/yr	Not Applicable
Federal Poverty Guidelines	U.S. Department of Health and Human Services	2005	Lower 48 states and the District of Columbia	\$9,570/yr 133% = \$12,728/yr 150% = \$14,355/yr	Custodial Parent and one child \$12,830/yr 133% = \$17,064/yr 150% = \$19,245/yr	\$3,260 133% = \$4,336 150% = \$4,890
Available at: http://aspe.hhs.gov/poverty/poverty.shtml						

²⁴ Massachusetts Guidelines Committee (1985).



Exhibit 14 Alternative Basic Needs Standards						
Index	Source	Year of Publication	Geographic Region Covered and Year	Amount for an Individual	Amount for Families	Amount for Each Additional Child
Basic Family Budget Calculator	Economic Policy Institute	2005	Boston	Not applicable	Custodial Parent and one child = \$49,848/yr Custodial Parent and one child = \$58,320/yr	Not applicable
Available at: http://www.epi.org/content.cfm/datazone_fambud_budget						
Self-Sufficiency Standard	Women's Education and Industrial Union	2003	Massachusetts	\$21,362/yr	One adult and one preschooler = \$44,046/yr One adult, one preschooler and one schoolage child = \$51,284/yr	Not applicable
Available at: http://www.sixstrategies.org						

Treatment of Child Care Expenses

Treatment in Massachusetts Guidelines. The guidelines provide that the basic child support obligation includes the noncustodial parent's share of child care expenses and that the responsibility for them resides with the custodial parent. Reasonable child care costs are to be subtracted from the custodial parent's gross income before the disregard formula is applied.

Treatment in Other States. Most state guidelines (over 30 states) prorate the child care expenses between the parents and add them to the base support. A few states assume that each parent is responsible for half of the child care expenses. Fewer than 10 states subtract child care expenses from the parent's income.

Economic Evidence. The subtraction of child care expenses from the parent's income places more of the burden of the child care expenses on the custodial parent. Exhibit 15 illustrates this using three case examples. In the first case example in Exhibit 15, the custodial parent's income is below the \$20,000 disregard threshold. In scenario A, the custodial parent has no child care costs, but in scenario B, the custodial parent has \$75 per week in child care costs. Under the Massachusetts guidelines, the support award amount is the same (\$110 per week) under either scenario. If child care costs were prorated between the parents, the child support order would have increased by \$50 to cover the noncustodial parent's prorated share of the \$75 child care expenses. The noncustodial parent's prorated share is two thirds because his or her income is two thirds of the combined income. Cases 2 and 3 illustrate that burden falls disproportionately on the custodial parent even when the custodial parent has income above the \$20,000 disregard. In Case 2 below, the parents have equal income of \$600 per week. When child care expenses increase from \$0 to \$100 (as depicted by assuming the case circumstances changed from that of Scenario A to that of Scenario B), the obligation increases by only \$13 per week under the Massachusetts Guidelines. In

this scenario, the noncustodial parent shares only 13 percent (\$13/\$100) of the child care costs even though the parents' incomes are equal. If treated as an add-on, the noncustodial parent's obligation would increase by \$50 per week, resulting in the noncustodial parent paying a proportionate share (50%) of the child care costs.

Exhibit 15 Alternative Treatment of Child Care Costs (One Child)				
	Weekly Order Amount		Noncustodial Parent's Share of Child Care Costs	
	MA Method	Add-On (prorated)	MA Method	Add-On (prorated)
Case 1 NCP Weekly Gross Income = \$500 CP Weekly Gross Income = \$250 <ul style="list-style-type: none"> Scenario A: Weekly child care = \$0 Scenario B: CP pays weekly child care of \$75 	\$110 \$110	\$110 \$160	NA 0%	NA 67%
Case 2 NCP Weekly Gross Income = \$600 CP Weekly Gross Income = \$600 <ul style="list-style-type: none"> Scenario A: Weekly child care = \$0 Scenario B: CP pays weekly child care of \$100 	\$98 \$111	\$98 \$148	NA 13%	NA 50%
Case 3 NCP Weekly Gross Income = \$1000 CP Weekly Gross Income = \$2000 <ul style="list-style-type: none"> Scenario A: Weekly child care = \$0 Scenario B: CP pays weekly child care of \$200 	\$88 \$95	\$88 \$154	NA 4%	NA 33%

Recommendations. We recommend that Massachusetts eliminate the child care disregard and treat child care as an add-on and prorate the costs between the parents.

Reduction in Base Support Due to Custodial Parent's Income

Treatment in Massachusetts Guidelines. Under the Massachusetts guidelines, the support order is reduced by the ratio of custodial parent's income less the disregard to the combined income of the parents less the disregard.

Treatment in Other States. The majority of states guidelines (34 states) prorate the basic child support obligation between the parents. The noncustodial parent's share is the child support order. It is assumed that the custodial parent spends his or her share directly on the child. The basic child support obligation reflects average expenditures on the child in intact families with comparable combined income and number of children.

Economic Premise. The Income Shares model presumes that the child should receive the same amount of expenditures the child would have received had the parents lived together and that both parents have a financial obligation to their child. The 1983-1987 National Child Support Guidelines Panel recommended



the Income Shares model for state usage.²⁵ The American Law Institute (ALI) criticizes the Income Shares approach.²⁶ They believe it is only appropriate in situations when the parents have relatively equal incomes, and that it produces inappropriate results when either parent has substantially higher or lower income than the other parent. In cases involving equal-income parents, neither parent can claim his or her standard of living is greater or lower relative to his or her income and there are no financial incentives to having physical custody of the child. The ALI believes that the Income Shares model puts the custodial parent at a disadvantage if the custodial parent has less income than the noncustodial parent. In this scenario, the ALI believes the custodial parent needs more support than what the Income Shares model would provide. When the converse is true—that is, the custodial parent has more income than the noncustodial parent—the ALI believes the Income Shares model results in orders that are too high. The ALI favors the Massachusetts approach over the Income Shares approach because they believe it levels the playing field when the parents have disproportionate incomes.

Appendix B compares the Massachusetts guidelines to the Connecticut guidelines, which uses the Income Shares approach. As evident in the comparisons, the ALI's desired trend (order amounts more than Income Shares amounts when the custodial parent has more income than the noncustodial parent and order amounts less than Income Shares amounts when the custodial parent has less income than the noncustodial parent) holds in the one-child scenarios when the noncustodial parent's gross income is \$20,000 or \$45,000 per year, but it does not hold when the noncustodial parent's gross income is \$80,000 per year and only partially holds in the two-child scenarios.

Recommendations. We make no recommendation because this is intertwined with the custodial parent disregard. If Massachusetts eliminated the disregard, the impact of the custodial parent's income on the support award amount would be the same as that of the Income Shares approach.

Discretionary Adjustment of +/-2%

Treatment in Massachusetts Guidelines. The Massachusetts guidelines allow for court discretion to adjust the Basic Order of plus or minus two percent without considering it a deviation.

Treatment in Other States. Only two other state guidelines allow for a similar discretionary adjustment (i.e., District of Columbia and Georgia). Georgia passed legislation this year that will effectively eliminate the discretionary adjustment once the new guidelines model becomes effective in 2006. In a similar vein, the District of Columbia has a proposal in front of its legislature to replace its current guideline with another model that will also eliminate the discretionary adjustment. In analyzing its discretionary adjustment, the District found that it actually resulted in much larger variation (sometimes amounts of nearly \$100 per month) because it was applied prior to the adjustment for the custodial parent's income.

Economic Evidence. Most of the economic estimates of child-rearing expenditures have a standard deviation of about three percent. Nonetheless, federal regulations [45 CFR § 302.56(2)] require state guidelines to be based on specific descriptive and numeric criteria and result in a computation of the support

²⁵ National Center for State Courts (1987).

²⁶ Blumberg (1999) and American Law Institute (2000).

obligation. At one time, Georgia explored whether its discretionary adjustment was in violation of this federal requirement.

Recommendations. We recommend that Massachusetts eliminate the discretionary adjustment.

Highest Income to Which the Formula Is to Be Applied

Treatment in Massachusetts Guidelines. The Massachusetts guidelines provide that the Basic Order formulas apply up to noncustodial parent's incomes of \$100,000 gross per year and combined parents' gross incomes of \$135,000 gross per year.

Treatment in Other States. Most state child support guidelines stop at combined gross incomes between \$120,000 to \$240,000 per year. Most of these state guidelines specify that for incomes above the highest income in the schedule, the support order should never be less than the highest amount in the schedule. State guidelines based on a flat percentage of obligor income generally stop at lower incomes (e.g., \$75,000 gross per year or somewhat higher).

Economic Evidence. There are not a sufficient number of households in the CEX to develop reliable estimates for high incomes. The Betson estimates generally apply to combined gross incomes up to \$200,000 per year. The USDA estimates apply to combined gross incomes up to about \$150,000 per year. A caveat to extending the formulas to higher income is that the economic evidence of child-rearing expenditures indicates that a decreasing percent of total gross income is devoted to child-rearing expenditures as income increases. Some economists, however, do not believe this decrease occurs until higher incomes since families with low and middle incomes tend to spend all or more than their after-tax income.

Trends. According to the 2000 Census, 23 percent of Massachusetts families have annual incomes of \$100,000 or more. As this percentage grows, Massachusetts needs to expand its formula to higher incomes.

Recommendations. We recommend that Massachusetts explore expanding the Basic Order formulas to higher income next review. To be consistent with the economic evidence of child-rearing expenditures, this may require the use of decreasing percentages.

Shared-Parenting Time

Treatment in Massachusetts Guidelines. The guidelines provide that adjustments for shared-parenting time and visitation are at the discretion of the court. They do not provide guidance on the amount of timesharing that must occur before an adjustment is made or how the adjustment shall be made.

Treatment in Other States. Most state guidelines (34 states) provide a formula for shared-parenting time adjustment. The majority of these state guidelines apply the adjustment above a state-determined threshold of timesharing (e.g., 20-50 percent of the child's time is spent with the nonresidential parent).



Economic Evidence. A dearth of research exists on how parents in shared-parenting time situations actually share child-rearing expenses.²⁷ Most states, however, use common sense to construct a formula. For example, several states employ the “cross-credit approach,” which creates a dummy order for each parent; offsets them by the parent’s time with the child; then, cross-credits them against each other to determine which parent owes the other parent the difference in the dummy order amounts.

Recommendations. Although the shared-parenting time adjustment is more of a policy decision than one rooted in economic evidence, providing a formula would create greater consistency in the guidelines application in shared-parenting time cases. We recommend that Massachusetts explore alternative formulas for adoption.

Expenses for Subsequent Families

Treatment in Massachusetts Guidelines. The Massachusetts guidelines allows the consideration of children from the noncustodial parent’s current or subsequent marriage(s) if there is request for a modification brought before the court for children of a noncustodial parent’s first or subsequent marriage.

Treatment in Other States. Over 30 states allow a presumptive adjustment for additional dependents. In addition, several other states provide a formula that is to be applied at court discretion. Most states do not require that the child be of another marriage. Rather, most state guidelines specify that the child must be an additional dependent that the parent has a legal duty to support. Most states provide that the adjustment can be applied to either parent as long as they have a qualified additional dependent. The most common adjustment is a dummy order for the additional dependent(s) that is subtracted from the parent’s income. Some states subtract only a fraction of the dummy order such that the children of the different families receive an equal share of the obligor’s income.

Economic Evidence. This is a policy decision.

Recommendations. We recommend that Massachusetts explore alternative formulas for adoption.

²⁷ See Venohr (forthcoming 2006).

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Appendix A:

Census Definitions of Housing Costs

Exhibit 7 includes various housing costs from the 2000 Decennial Census for the United States, the state and each county. The Census Bureau definitions for these housing costs are listed below.

Gross Rent. The amount of the contract rent (the monthly rent agreed to or contracted for), plus the estimated average monthly cost of utilities (electricity, gas, and water and sewer) and fuels (oil, coal, kerosene, wood, etc.) if these are paid for by the renter (or paid for the renter by someone else). Gross rent is intended to eliminate differentials which result from varying practices with respect to the inclusion of utilities and fuels as part of the rental payment.

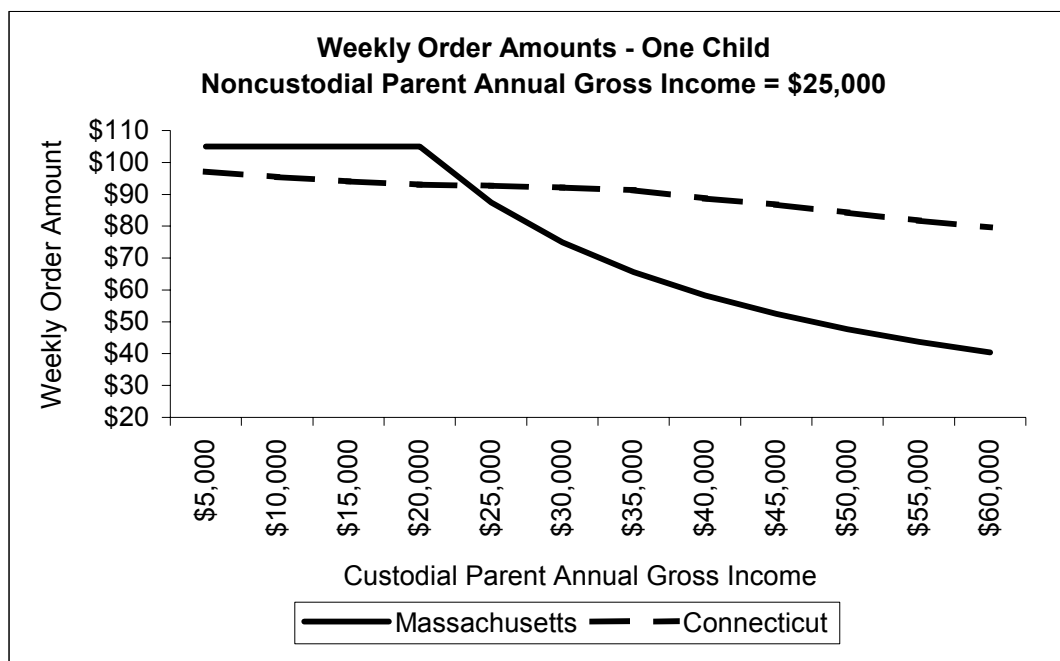
Selected Monthly Owner Costs. The selected monthly owner costs are calculated from the sum of payment for mortgages, real estate taxes, various insurances, utilities, fuels, mobile home costs, and condominium fees.

Value of Owner-Occupied Housing Units. The data on value (also referred to as "price asked" for vacant units) were obtained from answers to long-form questionnaire Item 51, which was asked on a sample basis at owner-occupied housing units and units that were being bought, or vacant for sale at the time of enumeration. Value is the respondent's estimate of how much the property (house and lot, mobile home and lot, or condominium unit) would sell for if it were for sale.

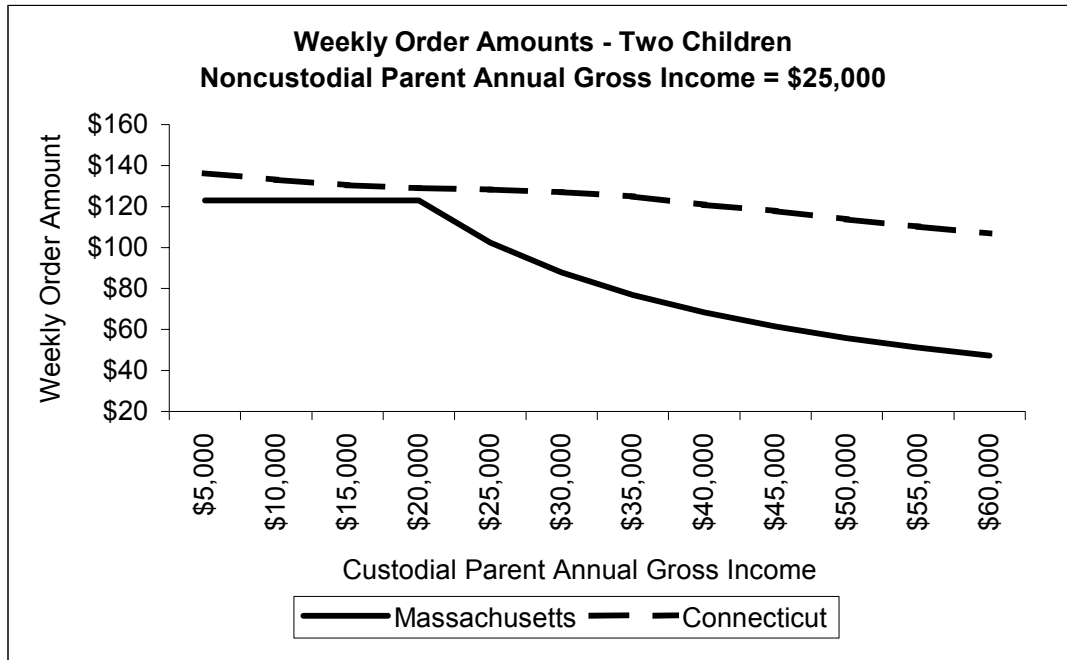


Appendix B:

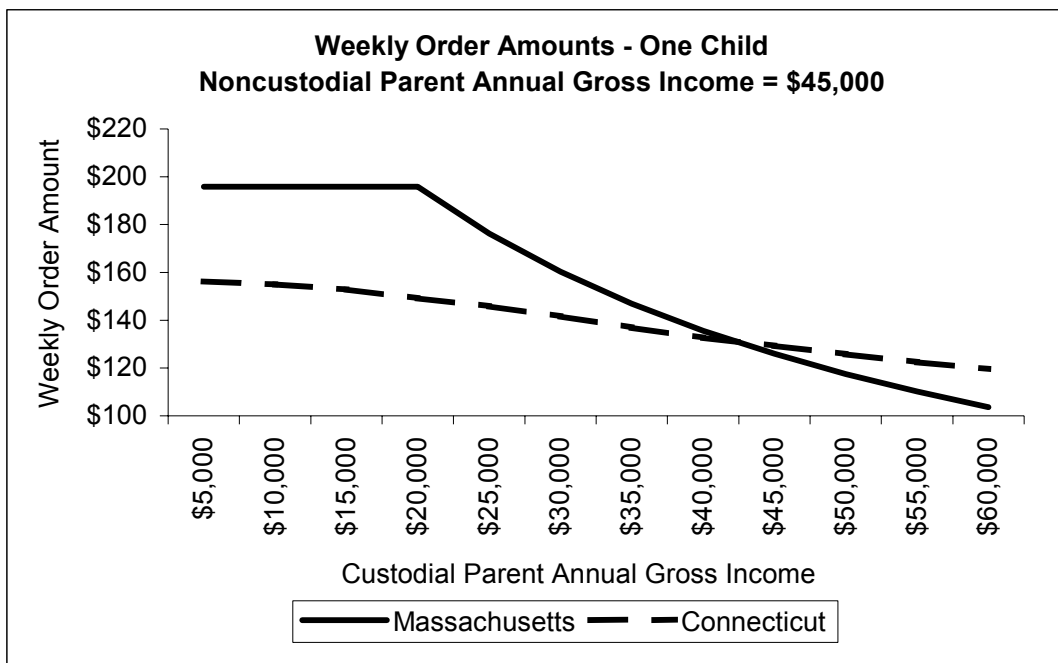
Comparisons of Massachusetts and Connecticut



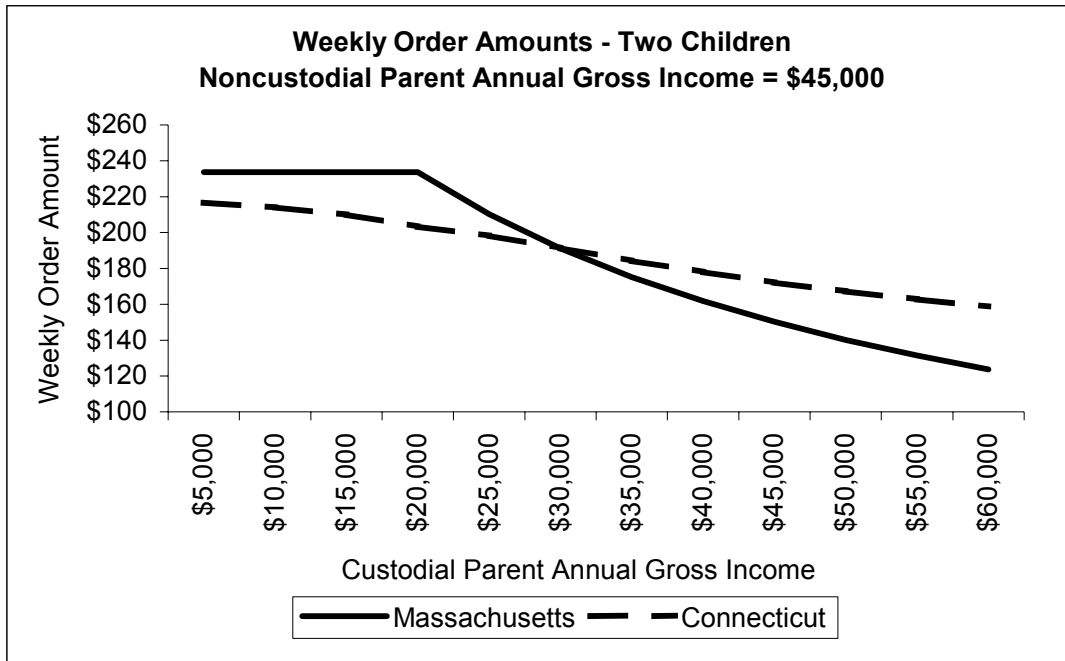
Custodial Parent Gross Annual Income	Weekly Order Amount (\$\$) - One Child	
	Massachusetts	Connecticut
\$5,000	\$105	\$97
\$10,000	\$105	\$95
\$15,000	\$105	\$94
\$20,000	\$105	\$93
\$25,000	\$87	\$93
\$30,000	\$75	\$92
\$35,000	\$66	\$91
\$40,000	\$58	\$89
\$45,000	\$52	\$87
\$50,000	\$48	\$84
\$55,000	\$44	\$82
\$60,000	\$40	\$80



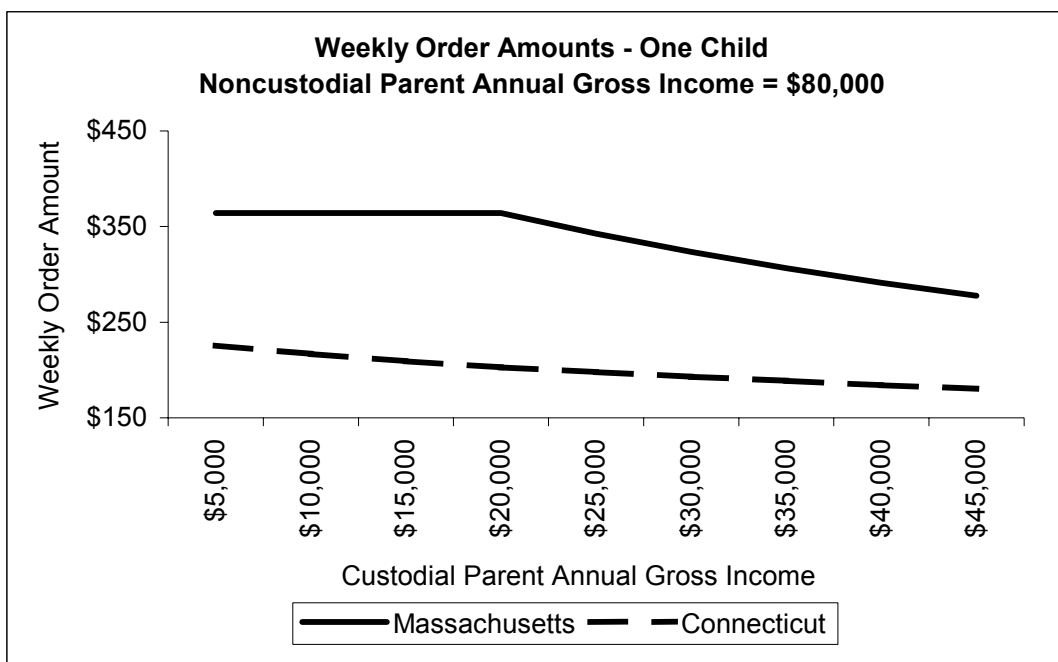
Custodial Parent Gross Annual Income	Weekly Order Amount (\$\$) - Two Children	
	Massachusetts	Connecticut
\$5,000	\$123	\$136
\$10,000	\$123	\$133
\$15,000	\$123	\$130
\$20,000	\$123	\$129
\$25,000	\$102	\$128
\$30,000	\$88	\$127
\$35,000	\$77	\$125
\$40,000	\$68	\$121
\$45,000	\$61	\$118
\$50,000	\$56	\$114
\$55,000	\$51	\$110
\$60,000	\$47	\$107



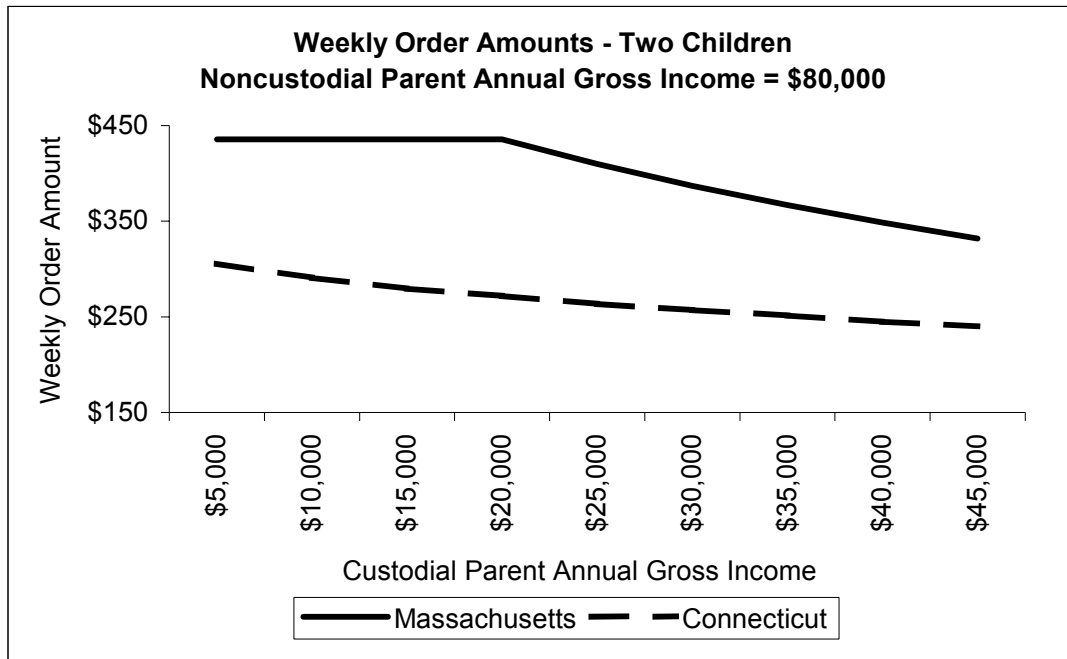
Custodial Parent Gross Annual Income	Weekly Order Amount (\$\$) - One Child	
	Massachusetts	Connecticut
\$5,000	\$196	\$156
\$10,000	\$196	\$155
\$15,000	\$196	\$153
\$20,000	\$196	\$149
\$25,000	\$176	\$146
\$30,000	\$160	\$142
\$35,000	\$147	\$137
\$40,000	\$136	\$133
\$45,000	\$126	\$129
\$50,000	\$118	\$126
\$55,000	\$110	\$123
\$60,000	\$104	\$120



Custodial Parent Gross Annual Income	Weekly Order Amount (\$\$) - Two Children	
	Massachusetts	Connecticut
\$5,000	\$234	\$217
\$10,000	\$234	\$214
\$15,000	\$234	\$210
\$20,000	\$234	\$203
\$25,000	\$210	\$198
\$30,000	\$191	\$191
\$35,000	\$175	\$184
\$40,000	\$162	\$178
\$45,000	\$150	\$172
\$50,000	\$140	\$167
\$55,000	\$131	\$163
\$60,000	\$124	\$159



Custodial Parent Gross Annual Income	Weekly Order Amount (\$\$) - One Child	
	Massachusetts	Connecticut
\$5,000	\$364	\$226
\$10,000	\$364	\$217
\$15,000	\$364	\$209
\$20,000	\$364	\$203
\$25,000	\$343	\$198
\$30,000	\$324	\$193
\$35,000	\$307	\$189
\$40,000	\$291	\$184
\$45,000	\$277	\$180



Custodial Parent Gross Annual Income	Weekly Order Amount (\$\$) - Two Children	
	Massachusetts	Connecticut
\$5,000	\$436	\$306
\$10,000	\$436	\$291
\$15,000	\$436	\$280
\$20,000	\$436	\$272
\$25,000	\$410	\$264
\$30,000	\$387	\$257
\$35,000	\$367	\$251
\$40,000	\$348	\$245
\$45,000	\$332	\$240